

Testimony of Kevin S. Dietly¹
Representing Connecticut's Beverage Industry²
In Opposition to Senate Bill 57

Co-Chairs Meyer and Roy and members of the Committee, my name is Kevin Dietly and I am a Principal at Northbridge Environmental Management Consultants in Westford, Massachusetts. I am representing a coalition of beverage companies and their employees to review our concerns with changes proposed to Connecticut's container deposit law by Senate Bill 57.

Northbridge provides economic, financial, management, and systems consulting services related to environmental issues. Our clients include the US Environmental Protection Agency, state environmental agencies including Connecticut's DEP, trade associations, and corporations. The firm has been involved in the analysis of container deposit legislation for more than 30 years.

I regret that I am unable to attend the hearing today, but have submitted these comments for the record on this matter.

We have compiled data on the operation of Connecticut's bottle bill since 2000, examining its environmental and economic costs and benefits. This constitutes the most comprehensive data collection effort ever undertaken related to Connecticut's deposit program. Northbridge has also compiled and analyzed data on deposit program operations in the other nine US deposit states and I am drawing on our Connecticut research and our experience with deposit laws in other states today to assess the implications of SB 57.

Summary

This legislation would impose an unprecedented new burden on Connecticut retailers and on beverage companies. The variety of containers incorporated into the deposit law as a result of this bill would require significant new investments in space and labor by our retail customers, adding to grocery costs. Consumers would face lines at retail stores, where reverse vending machines (RVMs) would be unable to accommodate nearly half of these containers; the alternative for consumers is to wait in line while clerks manually count bottles and cans.

We have computed additional compliance costs of \$13 million per year imposed on grocers and beverage producers to comply with this bill; this cost is equivalent to about 7¢ per container sold that would have to be added to the price of these products along with the 5¢ deposit. The bill's environmental impact is almost too small to measure, with a projected change of 14/100^{ths} of one percent in the state's recycling rate. And as many of the products and packages affected are larger format packages consumed in the home, the impact on litter would be negligible.

Another costly expansion of the law, so closely on the heels of the addition of water to the program, is ill-advised.

¹ Principal, Northbridge Environmental Management Consultants, 319 Littleton Road, Westford, MA 01886

² Coca-Cola Bottling Co. of Hartford, Coca-Cola Bottling Co. of Middletown, Coca-Cola Bottling Co. of New England, Coca-Cola Southeastern New England, Nestle Waters North America, Pepsi Beverages Company, Pepsi-Cola of Bristol, Polar Beverages.

Analysis

Proposal and New Products/Packages

The legislation would add deposits to certain containers for juices, teas, sports drinks, and similar noncarbonated beverages. Deposits would be imposed on containers smaller than one gallon made from glass, metal, or plastic, except for high density polyethylene (HDPE) containers (*i.e.*, similar to milk jugs). Paperboard and aseptic packaging (drink boxes) containing these same products would also be exempt from deposits.

Only three US states impose deposits on these types of beverages – Maine (since 1989), California (since 2000), and Hawaii (since 2004). None of these states has a redemption system like Connecticut's as I will discuss further below.

1. High Costs to Food Stores

Connecticut grocers would bear the brunt of a more complicated deposit law and that means higher grocery prices. Many of the products that would be added to the law would require manual counting and sorting in stores, rather than redeeming them through reverse vending machines (RVMs). Manual redemption is far more space- and labor-intensive for retailers. The resulting costs would be significantly higher on a per-unit basis than experienced under the existing deposit law.

The products affected by the proposal come in a wide range of packages including some materials, sizes, and shapes not found in products currently subject to deposits. Steel cans, non-PET plastics, very small cans and bottles, very large bottles, and bottles that are made with handles or that are not round would have to be redeemed by hand, meaning consumers must come inside the store and stand in line at a customer service counter to return empties. Customer service staff would have to count containers individually, store them, and subsequently separate them by brand, material, and size.

Based on our review of products sold that would be subject to SB 57, we estimate that about 45 percent of the new deposit containers would have to be redeemed manually, rather than through RVMs. Retail stores do not have the staff or space to accommodate the manual redemption of these containers.

It is worth noting that the other three states with deposits on these types of containers have completely different redemption systems in which retailers do not handle a significant share of returns. It is therefore unprecedented for these kinds of beverage containers to be returned to retail locations in large numbers. In Maine where a limited number of these containers are returned to stores, the costs per unit for redemption are extremely high.

2. High Costs to Collect and Transport Containers

Because the products affected by SB 57 are made by many companies not currently involved in the deposit program, this bill would require new infrastructure for the retrieval of these containers from stores across Connecticut. The manufacturers of juices, teas, and sports drinks do not typically distribute these products through local bottlers, but rather through grocery

wholesalers. That means that another party must be hired to put trucks and drivers on the road to pick up empties from retail accounts and transport them for processing. Because all of the returns must be kept separate by brand, this kind of pickup is also significantly more burdensome than what occurs today under the existing deposit law.

Between retailer costs to redeem containers and these new pickup and processing costs, we estimate new operating costs (net of scrap value) of \$13 million per year or about 7¢ per container sold; this is in addition to the 5¢ deposit.

3. More Revenue from Local Recyclers

Connecticut's deposit law already keeps between \$10 and \$20 million worth of commodity value from recyclers in the state, by channeling a significant share of aluminum and PET (the two most valuable components in the recycling stream) into the deposit system.

Imposing deposits on juices and similar beverages effectively force consumers to pull these containers out of their existing recycling bins and carts and haul them back to the store if they want a refund. As a result, this proposal would shift another \$1 million away from recyclers – making it harder for local recycling programs to cover their costs at a time when sources of local revenue are shrinking.

4. Minimal Environmental Gain

For all the expense and effort, expanding deposits to these products would have a nearly immeasurable impact on the state's recycling rate or on the amount of litter. Projecting a 60 percent redemption rate for these containers (which includes a factor for fraudulent redemption of containers since no neighboring states have deposits on these products), the impact of redemption of these containers on the state's overall recycling rate would be only 0.14 percent or 14/100^{ths} of one percent.

It is uncertain what off-setting environmental impacts would result from expansion. Certainly the additional trucks required to handle these containers would generate emissions, especially since new modes of collection would be required for these products. And the additional consumer travel to redeem containers is uncertain, though it has been shown to be a significant factor in research conducted in Vermont and Massachusetts.

5. Who Pays? The Consumer.

At the end of the day, this proposal is all about increasing consumer prices at the store, higher recycling fees at home, and more time and hassle tied up with the bottle bill.

- The high cost of redeeming these containers would be passed along to consumers in the price of beverages and other grocery items. We have estimated that just to cover these costs would raise the average price of a beverage container by 7¢ in addition to the 5¢ deposit.

- At home, residents will ultimately pay more for their town's recycling program because the deposit law continues to draw the most valuable commodities out of the recycling bins and carts. With less revenue to cover costs, user fees and property taxes will rise.
- Lastly, this change to the deposit law will create an unprecedented hassle for consumers as they try to redeem the wide range of containers affected by the proposal. In order to redeem many of these containers, consumers will have to wait at customer service counters in stores while employees count and sort the bottles and cans by hand.

Connecticut's current deposit law is already expensive to operate and is still undergoing adjustments based on the expansion of the law to include water in 2009. Recycling containers through a deposit/redemption system is the most costly approach for consumers, retailers, and beverage companies. SB 57 would compound the complexities of the program, driving up costs and making recycling less convenient and efficient. I urge your rejection of SB 57.